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American Theatre

BRAVE NEW VISIONS
OF 'THE TEMPEST'

THE TIMES OF
MICHAEL WELLER

ERIC BENTLEY
UNCENSORED



THE TEMPEST
at Chicago's Goodman Theatre



THEATRE
FACTS 87



American Theatre

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LETTERS TO THE EDITOR

Nipping at a Giant

Richard Gilman tries vainly to make his hatchet-job on Arthur Miller's autobiography, *Timebends*, sound like a genially impartial review ("Honest Art," Feb. '88). He affects a voice of goodnatured puzzlement over Miller's success, as if he were shaking his head in wonder at some weird fact of nature. But he can't quite pull it off. His seething hatred of Miller is evident in his tight-lipped prose. About halfway through he gives up the pretense, and we are provided with the spectacle of an enraged Pekinese nipping furiously around the ankles of a giant.

"Why," asks Gilman, getting to the heart of his resentment, "with so many post-Salesman detractors among the 'higher' critical establishment, should he be so big?" I am not entirely sure who constitutes the "higher" critical establishment, but I am sure that Gilman considers himself a member of this elite crew.

Many of Gilman's criticisms of Miller are absolutely correct and just as absolutely irrelevant. There are flaws in Miller's plays. He is not the best prose writer in the world. He is not a great thinker. But who cares? Those things have little to do with being a real artist. This fact is something people in the "higher" critical establishment have always had trouble accepting. Oxford-educated court fops in the Elizabethan era were also outraged by Shakespeare's success.

Of course the great danger with "popular" art is that it will degenerate into kitsch. But no one could accuse Miller of being kitsch. People from many different cultures have consistently responded to his work over a respectable length of time. He is a genuine writer, an artist, with a bona fide artistic sensibility that he successfully communicates.

If we lived in a society with a "healthy" critical establishment, that alone would be enough to ensure his general approbation.

Michael T. Folie
New York City

Four Little Words

Four words to Richard Gilman regarding his low opinion of Arthur

Miller, the man and the writer: You are a jerk!

Ann Gagen
Los Angeles, Calif.

In a New Light

As artistic director of a theatre organization with a mandatory policy of planning multicultural seasons of new plays, I can identify with the struggles of *At the Foot of the Mountain* ("A Feminist Theatre in Transition," Feb. '88). There are the inevitable detractors who insinuate that artistic integrity is compromised by reserving openings in one's season for minority and women writers or by practicing nontraditional casting techniques. But instead of creating doubts, this kind of criticism should spur us on.

I accept our company's progressive policy as a personal challenge to search for the geniuses emerging from all backgrounds. And I would suggest to those detractors—the so-called artistic "purists"—that they confront their own prejudices, work instead to bring down the institutionalized racism that permeates our industry, and begin to see the world in a new light.

Christopher James Rushton
The Play Works Company
Philadelphia, Pa.

Schiller on Hand

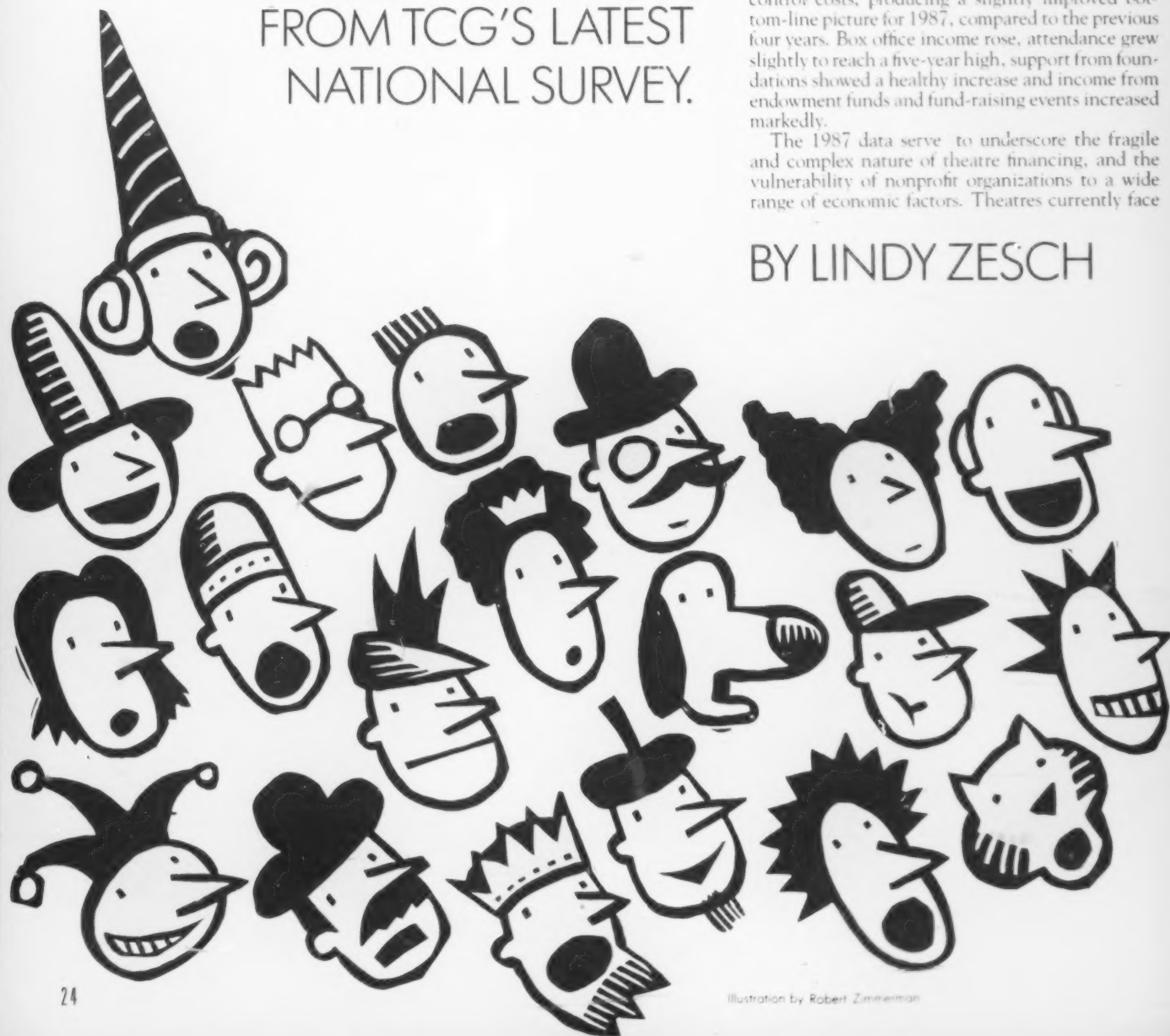
Holly Hill's piece on Schiller ("A Schiller Revival in England," Feb. '88) gives the impression that if one wanted a readable, stageable translation one would have to write off to England for it. Applause Theatre Books publishes a version of *Mary Stuart*, translated by Joseph Mellish and adapted by Eric Bentley, which is widely read and often performed. And not that long ago Anchor Books had in print a version of *Don Carlos* by the English poet James Kirkup. I could go on.

Glenn Young, publisher
Applause Theatre Books
New York City

American Theatre welcomes letters and comments from readers. Address mail to Editor, American Theatre, 355 Lexington Ave., New York, NY 10017.

THEATRE FACTS 87

MIXED MESSAGES
FROM TCG'S LATEST
NATIONAL SURVEY.



Theatre Communications Group's "Theatre Facts 87" survey yields a mixture of positive and negative trends in the finances and productivity of America's nonprofit professional theatres. The growth rate of private contributions, especially from the two leading sources—individual and corporate donors—was the smallest in the five-year period studied, while federal support dollars dropped sharply. The modest increase in expenses indicates a year of little expansion of activity, while compensation levels for artists and other personnel did not keep pace with the low-level inflation.

Consisting of two parts—1987 totals for a universe of 188 theatres and five-year trends for a sample group of 48 theatres—the survey nevertheless suggests that good management helped theatres control costs, producing a slightly improved bottom-line picture for 1987, compared to the previous four years. Box office income rose, attendance grew slightly to reach a five-year high, support from foundations showed a healthy increase and income from endowment funds and fund-raising events increased markedly.

The 1987 data serve to underscore the fragile and complex nature of theatre financing, and the vulnerability of nonprofit organizations to a wide range of economic factors. Theatres currently face

BY LINDY ZESCH

the potential effects of tax reform, the recent stock market crash, a growing federal deficit, and an ongoing spree of corporate mergers and acquisitions on future support from both private and governmental sources.

Universe

The 188 nonprofit professional theatres participating in the 1987 TCG survey reflect the diversity of the field, including small, adventurous ensembles located in urban neighborhoods; experimental troupes; companies serving rural or minority audiences; and large, established cultural institutions located in major metropolitan areas. As might be expected, their programming varies widely, including classics, modern plays and musicals, and new plays by contemporary authors, as well as mime, interdisciplinary and performance art works.

The 188 theatres represent 108 cities located in

38 states and the District of Columbia. They played to a total audience of nearly 15 million during the 1986-87 season, presenting 46,768 performances of 2,427 productions, and employing a work force of 23,620. Their budgets ranged from under \$100,000 to nearly \$10 million, and together they constituted a \$273 million industry. While the bottom line for the total survey universe reflects a negative fund balance of \$1.6 million, with 85 of the theatres ending the year in the red, the picture is significantly improved over the previous four years. More than half of the field posted deficits each year from 1983 to 1985, but the proportion of the theatres not able to balance their budgets has declined steadily, from 53 percent in 1984 to 45 percent in 1987.

Sample Group

In addition to aggregate figures for the participating theatres in the total survey universe, the TCG sur-



SURVEY UNIVERSE

188 Theatres in 1987

PRODUCTIVITY

Attendance	14,606,952
Subscribers	1,022,562
Performances	46,768
Productions	2,427

FINANCES

Total Expenses	\$272,788,839
Earnings	\$165,190,814
Contributions	\$105,995,536
Total Income	\$271,186,350
Surplus/Deficit	-\$1,602,489

WORK FORCE

Artistic Staff	11,703
Administrative Staff	4,902
Technical Staff	7,015
Total Paid Staff	23,620
Volunteers	24,887

vey includes a five-year trend analysis for a sample group of 48 theatres across the country, for which detailed information was available for the entire survey period. Their 1987 budgets ranged from \$688,000 to \$8.3 million. Together, these theatres, many of which are among the nation's most established companies, account for more than half of the total financial activity of all the 188 survey respondents. This year's five-year sample group is the largest studied since the survey began in 1974.

The sample group survey reveals that, for the second consecutive year, total income grew slightly faster than expenses. Operating expenses increased 5.6 percent over the previous year, ahead of the 3.9 percent inflation rate. Earnings, which include box office receipts and revenues from other income-generating activities, rose 6.8 percent. The "earnings gap"—the portion of expenses that is not covered by earned income and must be supported philanthropically—was the largest to date. Contributions to the 48 sample theatres increased only 5.4 percent, the smallest annual increase in the five years studied, but contributed income was

nevertheless sufficient to cover the earnings gap and leave a small collective surplus at the end of the year.

Earned income has historically covered a much larger ratio of the season's costs than contributed income. However, contributions have grown an impressive 49 percent over the five-year period, compared to slower growth rates for both earnings (35.4 percent) and expenses (38.7 percent). These findings reveal that theatres have made significant strides in building their fund-raising capabilities. At the same time, they are becoming more dependent on grants and contributions, as the proportion of earned income has declined to cover just under 63 percent of expenses. This trend ameliorates a debilitating pattern of box office reliance that characterized the early part of the decade, when dependence on the box office for nearly 70 percent of expenses had threatened to influence repertoire selection and public access by heightening market pressures and inflating ticket prices in ways more characteristic of the profit-motivated commercial theatre than the subsidized nonprofit theatre.

Balancing operating surpluses against deficits, the 48 sample theatres fared better than the overall survey universe, posting a small aggregate operating surplus (\$587,909) for the first time in the five-year period. More than half the theatres—28 out of the 48—ended the year in the black. Two years earlier, the numbers were reversed, as 28 deficits outweighed 20 surpluses to produce a staggering \$2.4 million aggregate deficit. However, of the 20 theatres reporting 1987 deficits, 7 still had significant 1987 shortfalls that exceeded \$100,000, evidence that the improved picture for the field as a whole cannot yet be said to extend to all of its component parts.

Earnings

The increase in 1987 revenues is attributed mainly to healthy growth in subscription and single-ticket sales, earnings from booked-in events and educational programs, and investment income from endowment funds.

Box Office

Total attendance at all resident productions reached a five-year high during 1986-87, as the average sample theatre presented 267 performances of seven mainstage productions, as well as 38 performances of five ancillary offerings, over a playing season of 35 weeks. When all resident, booked-in and touring activities are added together, sample theatres presented an average of 350 performances during the 1986-87 season. The number of mainstage performances increased slightly (up 3 percent), but the number of productions mounted remained level. Non-mainstage performances—including second stage productions, workshops, play readings and youth theatre offerings—have declined over the past three seasons, as theatres are apparently concentrating their limited resources on the presentation of mainstage work.

Total box office income grew by 8.5 percent, caused by both growth in attendance and rising ticket prices. Subscription and single-ticket sales have risen in each of the five years studied, and together accounted for four-fifths of all earnings in 1987. The number of subscribers was up by less than one percent, but subscription income rose nearly 8

TOTAL INCOME AND EXPENSES

48 Sample Theatres

In thousand \$	1983	1984	1985	1986	1987
Earned Income	67,582	75,654	81,532	85,643	91,497
Total Expenses	105,010	117,233	129,499	137,866	145,590
Earnings Gap	-37,428	-41,579	-47,967	-52,223	-54,093
Contributed Income	36,705	40,291	45,531	51,892	54,681
Total Income	104,287	115,945	127,063	137,535	146,178
Surplus/Deficit	-723	-1,288	-2,436	-331	588

percent, indicating the effects of series-ticket price increases. The average top-priced subscription ticket went up more than 6 percent, while the least expensive subscription seat rose over 12 percent. The average cost of a subscription seat ranged from \$8.14 to \$18.35 per performance.

Attendance on subscription grew at 22 of the 48 theatres, but decreased at 26 theatres. More than half of all mainstage seats sold were occupied by subscribers, and subscription audiences ranged in size from under 3,000 to over 50,000. The largest subscription audience was reported by the Old Globe Theatre in San Diego, where 51,965 season tickets were sold to series offerings in 1986-87. The Alley Theatre (Houston), Alliance Theatre Company (Atlanta) and Mark Taper Forum (Los Angeles) all reported subscription ticket sales exceeding 30,000.

Altogether, subscription income covered 31 percent of expenses in 1987, while single-ticket sales covered 19 percent. Single-ticket income rose 10 percent, as the number of admissions increased along with prices. Depending on the day and seating location, single-ticket prices averaged between \$11.22 and \$21.09, 8.5 percent and 5.5 percent greater than the previous year's respective low and high. The combined total of subscription and single-ticket income, compared to total operating expenses, reveals that the average audience member pays only half the actual value of his or her ticket. The remaining 50 percent of theatre costs are paid by a combination of earnings and fund-raising proceeds, which allow the theatres to continue to offer discount tickets to those in the community who might not otherwise be able to attend the theatre.

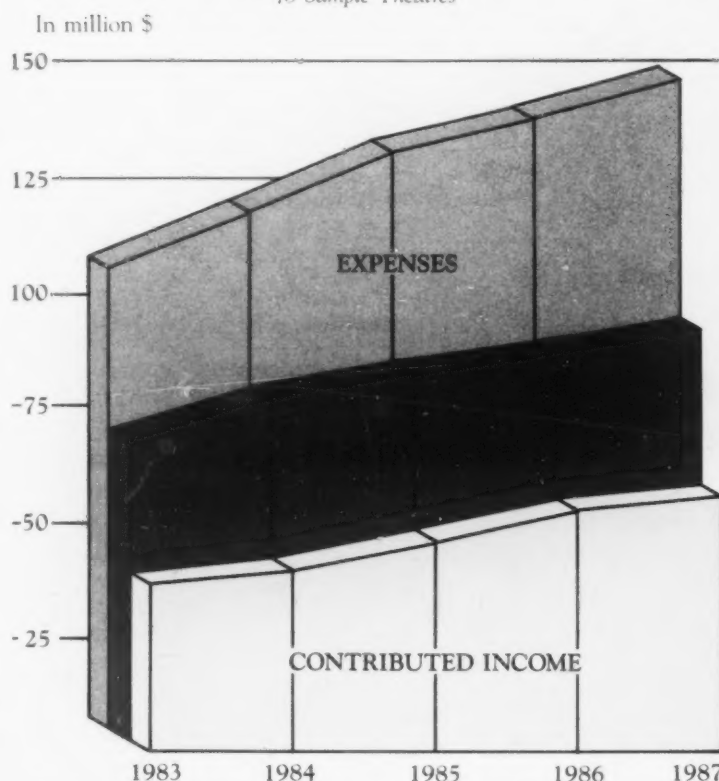
Other Earnings

One of the most promising developments in the theatre earnings picture is the growth in recent years of endowment funds. At present, such funds are common primarily among the larger, more established companies, most of which are still engaged in the early phases of endowment-building. Yet in 1987, the use of endowment earnings for operating purposes increased by nearly 37 percent, for the first time covering more than one percent of expenses. Altogether, 27 of the 48 theatres had established endowments by 1987, compared to only 16 five years earlier, and 14 of the 27 were making use of endowment earnings for operating purposes. Four sample group theatres reported newly established endowments in 1987, including Berkeley Repertory Theatre, Intiman Theatre Company (Seattle), the People's Light and Theatre Company (Malvern, Penn.) and TheatreVirginia (Richmond). Progress in the size of fund balances is also apparent from the 1987 total of \$33.7 million, up from \$13.3 million for sample theatres just five years ago. The 1987 fund balances ranged from \$10,910 to \$5.7 million, while the median was \$473,264. The largest endowment principals were reported by Arena Stage (Washington, D.C.), Actors Theatre of Louisville and the Guthrie Theater (Minneapolis). In addition, a number of theatres reported other types of funds, such as capital funds, cash reserves and artistic reserves, available for specific purposes.

Many endowment funds were developed by theatres over the past few years and were augmented by an unprecedented bull Wall Street market. The optimistic endowment picture is therefore inevita-

COMPARISON: EXPENSES TO EARNED AND CONTRIBUTED INCOME

48 Sample Theatres



Percent Change	83-84	84-85	85-86	86-87
Expenses	11.6	10.5	6.5	5.6
Earned Income	11.9	7.8	5.0	6.8
Contributed Income	9.8	13.0	14.0	5.4

bly tempered by concern over the possible effects of the October 1987 stock market crash and its aftermath. The New York Shakespeare Festival, which was not part of the 1987 sample group, has the largest endowment of any theatre in the country, created largely from the proceeds generated by its production of *A Chorus Line*. The Festival's endowment dropped from \$24 million to \$21 million immediately following the crash, eroding earnings budgeted to cover operating costs and causing the cancellation of several planned productions. The overall impact of the crash on endowment principals and earnings at theatres nationwide will not be apparent until next year's survey, but the growth witnessed over the past few years indicates that there is still great potential for this earnings source and that endowment funds are likely to continue to grow in importance in the years ahead.

Income from educational programs, including both outreach activities serving the community and in-house training programs, grew by 6 percent. This rise was primarily due to sponsor fees and contracts for outreach services in the community, since tuition income from training programs remained virtually static. Thirty-three sample theatres offered some type of educational programming, the greatest number in the five years studied. Three programs

EARNED INCOME

48 Sample Theatres

In thousand \$	1983	1984	1985	1986	1987
Box Office	52,586	58,809	65,369	67,481	73,185
Touring	2,415	2,266	2,451	3,399	2,496
Booked-in Events	2,225	1,818	1,939	1,755	3,226
Educational Programs	2,645	2,948	2,926	3,105	3,298
Interest & Dividends	1,898	1,846	1,972	1,453	1,218
Endowment Income	942	913	947	1,210	1,654
Royalty Income	423	553	317	526	455
Concession/Advertising & Rental	2,872	3,512	4,044	4,323	4,320
All Other	1,576	2,989	1,567	2,391	1,645
TOTAL	67,582	75,654	81,532	85,643	91,497

influencing the increased income were American Repertory Theatre's newly launched institute at Harvard University, and outreach programs initiated by Arena Stage and Shakespeare Theatre at the Folger, both in Washington, D.C.

Income from booked-in events rose markedly in 1987—up 84 percent over the previous year—as 19 of the theatres presented the work of outside arts groups. Not only did five more theatres report such income than the previous year, but several greatly increased the income generated by bookings. The three theatres reporting the highest income from 1986–87 booking programs were Arena Stage (Washington, D.C.), McCarter Theatre (Princeton, N.J.) and Center Stage (Baltimore).

Among those income categories that registered a decline in 1987 were touring, interest earnings and royalties from subsidiary rights. Touring income, which decreased nearly 27 percent, was reported by 21 of the 48 sample theatres. The number of touring performances and admissions also decreased, from 1,832 performances and attendance of 687,949 five years ago, to the current year's level of 1,421 performances before an audience of 523,995. Only four of the sample theatres reported significant touring activity in the 1986–87 season: American Repertory Theatre (Cambridge, Mass.), the Guthrie Theater (Minneapolis), the Old Globe Theatre (San Diego) and Syracuse Stage.

Interest and dividend income fell 16 percent, as interest rates continued to decline throughout the survey period. Royalty income earned from subsequent stage, film, video and audio productions of works developed by these theatres also fell to \$454,562 for 17 of the 48 theatres in 1987, a nearly 14 percent drop from the previous year. More than one-fourth of the total royalty income was reported from the commercial run of Herb Gardner's *I'm Not Rappaport*, which originated at Seattle Repertory Theatre. Altogether, 16 other theatres reported subsidiary income just over \$300,000 derived from 95 other properties.

Other miscellaneous forms of 1987 theatre income, including concessions, advertising and rentals, collectively generated sufficient income to cover 4 percent of operating expenses.

Expenses

Total operating costs for the 48 sample theatres rose by less than 6 percent in 1987, the smallest annual

growth in the five-year period. While nearly two-thirds of all theatre expenses were devoted to compensation of artists, administrative staffs and production/technical personnel through payment of salaries, fees, royalties and fringe benefits, personnel compensation rose by less than 3 percent in 1987, and did not keep pace with inflation or with other expenses.

Royalties to playwrights, composers and lyricists, however, did rise dramatically, registering 19 percent higher than the previous year's level. Since the number of properties on which royalties were paid declined slightly from the previous year, the royalty increase represents higher compensation to dramatists in 1987.

Among salaried personnel, artistic employees, including artistic directors, literary managers, directors, designers and actors, fared the best. Their salaries rose by more than 4 percent, representing a modest gain in compensation levels, since the number of people employed in the artistic work force remained virtually the same. Within this group, the findings reveal that aggregate actor salaries paid by the sample theatres rose by nearly 9 percent, while actor work weeks declined by 5 percent, indicating improved weekly salary levels for the actors employed.

Total salaries for production and technical employees rose just 2.5 percent, while administrative employees gained less than one percent over the previous year's compensation levels, in spite of increases in both the full-time and part-time administrative work forces. This development may suggest that efforts were made in 1987 to concentrate personnel resources on artistic areas and control administrative costs in order to balance budgets. As a portion of total compensation, administrative salaries declined from nearly 19 percent of total operating expenses in 1986 to less than 18 percent of expenses in 1987. Production/technical salaries continued to represent 14 percent of expenses in 1987, while artistic salaries, fees and royalties paid to staff, guest artists and authors again accounted for over 28 percent of expenses.

Increases in non-personnel costs outpaced personnel costs threefold, rising more than 9 percent over 1986 levels, a reversal of last year's findings when personnel costs rose 9.5 percent compared to a 2 percent increase in other expenses.

Contributions

As theatres have worked to maximize fund-raising efforts in the 1980s, contributed income has grown much faster than either expenses or earnings; however, this trend did not continue in the 1987 survey, as earnings and expenses both outpaced the one-year growth in grants and contributions. Although the share of the theatre operating costs covered by contributed income was the largest portion in the five years studied, contributions raised from all sources by staff development departments, volunteers and trustees increased just over 5 percent in 1987.

Individuals

Gifts from individuals, the largest sources of contributions to theatres, experienced the smallest growth in the five-year period, up less than 5 percent over 1986, and well behind the 11 to 23 percent increases seen annually since 1983. The nearly

105,000 people who made donations to the 48 theatres represented a slight increase, as did the average gift of \$94, which was a gain over the previous year's average of \$92. While 27 of the theatres reported increased individual giving in 1987, the other 21 theatres registered a decline in individual gift dollars.

Proceeds from special events such as benefits, galas and auctions grew a healthy 16 percent and served to improve the 1987 individual contributions picture, as 42 of the 48 sample theatres staged such events. When special events income is added to outright individual contributions, the portion of theatre operating expenses covered by individual giving totals nearly 10 percent. A key ingredient in such events is the value of volunteer time, which is another form of individual giving. Independent Sector, the nation's largest coalition of nonprofit organizations, recently estimated that 41 percent of

CONTRIBUTED INCOME

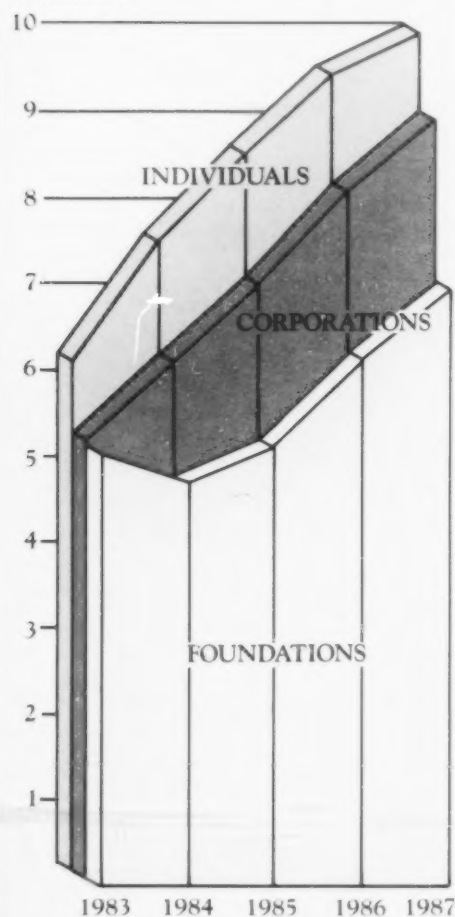
48 Sample Theatres

In thousand \$	1983	1984	1985	1986	1987
Individuals	6,082	7,499	8,482	9,425	9,853
Corporations	5,175	6,059	7,035	8,080	8,906
Foundations	4,997	4,710	5,057	6,105	6,860
United Arts Funds	4,179	4,679	6,025	6,428	6,296
Federal	4,387	4,770	5,195	6,122	5,621
State	4,497	4,942	5,117	6,314	5,617
City & County	966	747	799	1,307	1,748
Fund-raising					
Events/Guilds	2,358	2,614	3,096	3,630	4,212
All Other	4,064	4,271	4,725	4,480	5,568
TOTAL	36,705	40,291	45,531	51,891	54,681

COMPARISON: PRIVATE SUPPORT

48 Sample Theatres

In million \$



Percent Change	83-84	84-85	85-86	86-87
Corporations	17.1	16.1	14.9	10.2
Foundations	-5.8	7.4	20.7	12.4
Individuals	23.3	13.1	11.1	4.6

total employment in the nonprofit sector is provided by volunteers. The 48 sample theatres alone reported a volunteer work force of more than 11,000 individuals, while the full survey universe reported nearly 25,000 volunteers.

Taxpayers making contributions to nonprofit organizations were subject to the Tax Reform Act of 1986 beginning in tax year 1987. The new law lowered the top marginal tax rate, thereby reducing the tax incentive for major gifts by itemizers; it also eliminated the charitable contributions deduction for non-itemizers, thus removing altogether the tax incentive for many small donors. Experts are still divided on the magnitude of the impact this law will have on charitable giving. Independent Sector had predicted a loss of \$11 billion and recently launched a five-year campaign aimed at doubling charitable giving to help offset the negative consequences of the law. Since the new tax provisions took place mid-way in the 1986-87 season, it is unclear whether individual giving was adversely affected by reduced tax incentives at the beginning of 1987, or whether individual giving might have risen even less without the last-minute scramble to make gifts under the old law at the close of 1986. It also remains to be seen whether increases in disposable income resulting from lower tax rates will offset the impact of reduced tax incentives in the future, when the tax act has been fully phased in.

Some nonprofit analysts argue that charitable intentions outweigh tax savings as a motivation for giving. The American Association of Fund-Raising Counsel (AAFRC) noted in its 1986 *Giving USA* report that the bullish stock market of the past few years "fostered a feeling of affluence which led some individuals to increase giving." A recent Gallup poll found that, among upper-income households that increased their contributions in 1986, more than half attributed their increased gifts to "higher income," while only 3 percent cited tax incentives. Both these findings strongly suggest that the effects of a shaky stock market on personal income could negatively influence future levels of individual giving.

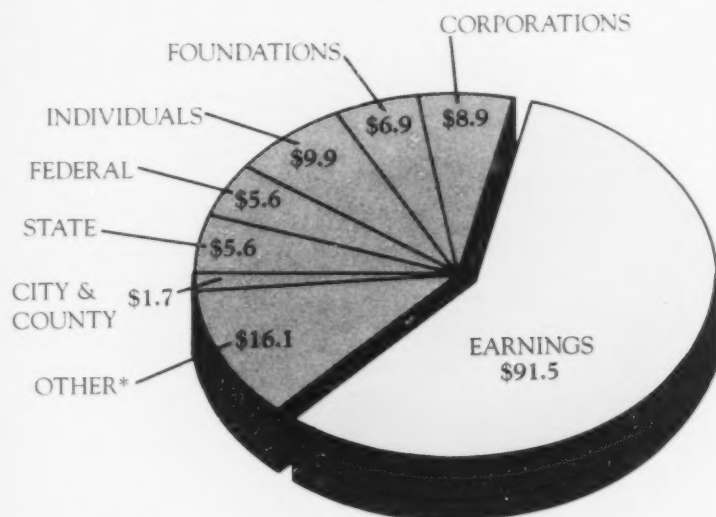
Corporations

Corporate support remained the second most important source of theatre contributions in 1987 and, for the first time in the five-year period, all 48 theatres received some corporate support. But the survey clearly demonstrates that the predicted slow-

1987 SOURCES OF INCOME

48 Sample Theatres

In million \$



*Includes fund-raising events, united arts fund drives, in-kind and miscellaneous contributions.

down in corporate giving growth has begun to hit the sample theatres. Corporate support grew by a solid 10 percent in 1987, but the rate was significantly below the gains of 15 to 17 percent in each of the three previous years. While two-thirds of the sample theatres reported increases in corporate gift dollars, one-third registered a decline. And, although more corporations made contributions to these theatres in 1987, the average gift amount fell from \$1,809 in 1986 to \$1,715.

At the national level, the Dayton Hudson Corporation, AT&T and Citicorp/Citibank led 1987 giving to theatres participating in the TCG survey. Local giving, generated by community-based businesses, corporate headquarters and branch offices, resulted in major gifts of more than \$100,000 from the Humana Corporation (Actors Theatre of Louisville), Sara Lee Corporation (Goodman Theatre), Jim Wilson & Associates (Alabama Shakespeare Festival), Hallmark Cards (Missouri Repertory Theatre), U.S. West (Denver Center Theatre Company) and Federated Department Stores (Cincinnati Playhouse in the Park).

While the rest of the economy was enjoying a fourth year of economic recovery, Fortune 500 companies watched their revenues decline in 1986. Consequently, donations from the major corporate donors in 1987 began to dwindle, losses that were only partially offset by increased gifts from smaller companies, according to the AAFRC. Last summer, the AAFRC's *Giving USA* report estimated that the growth in corporate giving had slowed to a modest 2.3 percent in 1986, while the Conference Board reported that corporate contributions had actually declined 2.5 percent nationwide, the first drop in a decade-and-a-half, and a major reversal in light of a meteoric 522 percent rise over the past 15 years. While corporate giving to theatres has not yet been as hard-hit, these national figures reveal just how serious the problem is, and theatres are beginning to consider how to replace declining cor-

porate dollars in the not-too-distant future.

The causes of the predicted decline in the corporate giving growth rate have been well documented, as the 1980s witnessed a wholesale restructuring of corporate America. Corporate giving has been the victim of a variety of economic forces and events, dependent in part on the type of business, including a spate of mergers and acquisitions, divestitures, dwindling profits, deregulation, increased foreign competition, changes in top management, new tax legislation, plant closings, a decline in the formation of new corporate foundations since 1979—and, as of last fall, a volatile stock market that may have an impact on future survey findings.

Merger-mania has led to a spree of high-level deals over the past three years; according to the Foundation Center, there were 3,397 mergers and acquisitions in 1985 and 4,022 in 1986. More recently, *Mergers and Acquisitions* magazine reported another 2,056 in the first five months of 1987 alone. RCA was bought by General Electric, General Foods by Philip Morris, Gulf Oil by Chevron, E.F. Hutton by Shearson Lehman Brothers. Dayton Hudson Corporation, the top corporate funder of theatres nationally, was threatened last year with a hostile takeover that very nearly succeeded. According to AT&T Foundation president Reynold Levy, quoted in a recent issue of *Performance Management*, most newly combined companies give less than they did as separate entities. Like Levy, the Foundation Center and other experts anticipate that mergers and acquisitions will have a significant impact on philanthropy.

The other major factor in the corporate funding picture is the glut in world oil markets which has devastated the prosperity of the nation's giant oil companies. Since oil companies represented five of the ten largest corporate foundations in 1986, it's easy to see why this development affects overall corporate giving so much; the impact is especially serious in the arts, where oil companies have concentrated a generous share of giving over the years. Exxon and Atlantic Richfield, two of the four leading national theatre funders listed in last year's TCG survey, did not make the list this year. Atlantic Richfield cut its contributions budget from nearly \$37 million in 1983 to \$11 million in 1987, according to *The Wall Street Journal*, and the Conference Board reports that Exxon cut its \$60 million giving program to less than \$50 million in 1986.

Such pressures may have led some corporations to turn from traditional giving to the current trend toward "cause-related marketing" in order to justify and maximize corporate investments in the arts and other philanthropic causes. Rather than providing charitable support in the traditional sense, such funding is more of a joint marketing venture between the nonprofit organization and the corporation, one in which both parties expect to gain. As Texas oilman T. Boone Pickens recently told *The Wall Street Journal*, "Company giving has to be related to the company's interests, not be a gift to the ballet because my wife likes ballet." While corporate giving has always served to enhance the image of the corporation, the new approach demands much more direct results—usually in the form of advertising and publicity opportunities. The fact that corporations are beginning to stress more of a "return" on their charitable gifts has raised many concerns among theatre staffs and trustees, who must weigh the "cost" of such contracts, and their propriety for nonprofit theatre companies.

Foundations

Foundation grants to the sample theatres increased faster than any other major form of private support, rising more than 12 percent over the previous year's level, as all 48 theatres reported 1987 foundation grant income. While the 1987 growth rate was slower than the previous year's 21 percent rise, foundation gifts continued to increase at a much faster rate than in either 1984 or 1985. Thirty of the sample theatres reported increases in their foundation gifts during 1987, and foundations continued to be the third largest source of contributed income to theatres.

The number of foundation donors increased, but the average grant size remained virtually level at \$9,700. While foundation gifts are outnumbered by corporate gifts by more than seven to one, the average foundation gift is nearly six times larger. In contrast to the trend toward cause-related marketing that has given rise to visible, project-oriented grant-making in the corporate sector, foundations provide more basic forms of support, making grants primarily for program development, capital support and continuing support, according to the Foundation Center.

The Shubert Foundation led foundation giving to TCG survey theatres nationwide in 1987, with

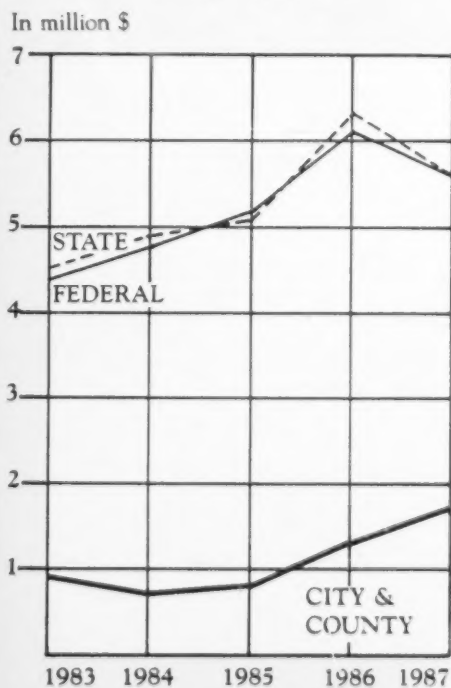
more than \$1.2 million in Shubert grants reported by 55 of the participating theatres. Other leading foundations supporting theatres were the Pew Charitable Trusts, Wallace Funds, Charles A. Dana Foundation, Ford Foundation, Andrew W. Mellon Foundation and the Rockefeller Foundation. Individual gifts of \$200,000 or more were reported from the William Penn Foundation (Walnut Street Theatre), Fan Fox & Leslie R. Samuels Foundation (Lincoln Center Theater), James Irvine Foundation (Old Globe Theatre) and the Cleveland Foundation (Great Lakes Theater Festival).

According to Giving USA, foundations nationwide gave a record \$5.2 billion to all causes in 1986, an increase of nearly 16 percent over the year before, primarily because a robust stock market increased the asset value of foundation portfolios. The Dow Jones average jumped 22 percent in 1986 alone. As an example of how much this stock market activity affected the foundation world, the Foundation Center reported that assets of the Ford Foundation, the nation's largest, grew from \$3.5 billion to \$4.8 billion in two years, and its total grants budget rose from \$122 million to \$170 million.

The Internal Revenue Service requires foundations to pay out a minimum of 5 percent of the market value of assets each year, but since foundations generally set their grant budgets in advance, the IRS allows for a one-year grace period to make adjustments. Therefore, the AAFRC believes that the surge in asset values through mid-'87 will continue to spur increased foundation giving through 1988. Opinion is divided over how much impact the recent stock market crash will have on foundation assets, but if the stock market downturn does affect foundation grants to theatres, the effects may not be seen until 1988 or even 1989.

COMPARISON: PUBLIC SUPPORT

48 Sample Theatres



Percent Change	83-84	84-85	85-86	86-87
Federal	8.7	8.9	17.8	-8.2
State	9.9	3.5	23.4	-11.0
City & County	-22.6	6.9	63.6	33.7

Federal Government

Federal support to sample theatres, primarily from the National Endowment for the Arts (NEA), fell by more than 8 percent in 1987. The drop was partly caused by the impact of the 4 percent Gramm-Rudman-Hollings automatic spending cuts that affected half of all domestic programs for federal fiscal year 1986. The reduction caused the \$165.7 million congressionally approved NEA appropriation to drop to \$158.5 million, and the NEA Theatre Program budget fell accordingly, from \$10.8 million to less than \$10.4 million.

During the 1986-87 season, 43 of the 48 sample theatres were funded in the Endowment's Professional Theatre Companies category, the primary federal support mechanism for American theatres. The grants ranged from \$7,500 to \$305,000, with an average of \$79,896 awarded to sample theatres. Only 8 of the 48 theatres saw their grants increase over the previous year's levels, 27 experienced reduced support, 8 were level-funded and 5 received no Theatre Program support.

Major multi-year Ongoing Ensembles grants, ranging in size from \$53,500 to \$256,000, benefited five of the sample theatres in 1987, including American Repertory Theatre (Cambridge, Mass.), Arena Stage (Washington, D.C.), Circle Repertory Company (New York), Milwaukee Repertory Theater and Trinity Repertory Company (Providence). Other sample theatres received grants from the NEA's Opera-Musical Theatre Program, and several were Challenge grant recipients, although none

reported use of Challenge funds for operating purposes during the survey year. Both the Ongoing Ensembles and the Challenge programs are currently undergoing significant revisions which may influence future trends in federal support for theatres.

Federal largesse was once the leading source of contributed income for theatres, representing as much as 8 percent of theatre budgets in 1979 under the Carter Administration, compared to less than 4 percent in the 1987 survey, when support from Uncle Sam ranked fourth out of the six major sources of contributed dollars (excluding united arts funds which derive funds from multiple sources). Over the five-year life of the 1987 survey, NEA appropriations have risen only 10.5 percent and Theatre Program allocations have gone up even less—7.4 percent. During the same period, sample group theatre operating costs have climbed nearly 39 percent.

When Ronald Reagan took office in 1981, he first proposed the elimination of the National Endowment for the Arts, then radical budget cuts for the agency. He did not ultimately succeed in either. Although cuts were sustained in 1982 and 1983, Congress balked in 1984, restoring the cuts and even increasing the NEA appropriation to the highest level it had ever reached. But federal funds have not kept pace with the expansion of theatre activity or the needs of America's theatres, and the outlook for the immediate future promises little change in the federal dollars available for theatre support. Even though the current year's appropriation (FY 1987) has returned to the pre-Gramm-Rudman level of \$165 million, and next year's appropriation (FY 1988) will increase slightly to \$167.7 million, the Theatre Program budget for both years is slated to remain at \$10.8 million, the same amount allocated as long ago as fiscal year 1981.

The extraordinary economic growth of the Reagan years has been accompanied by an explosion of federal debt. The federal deficit has doubled since this Administration took office, reaching \$2.3 trillion and transforming the United States from the world's largest creditor to its leading debtor. With bipartisan support in Congress for budget containment and deficit reduction, there may be little hope for significant infusions of federal arts dollars in the foreseeable future. Even under a new Administration, experts warn, there will be no way to pay for major new spending programs. In the current climate, arts advocates will have to work very hard indeed if they hope to convince Congress to appropriate even the relatively small sums needed to significantly expand federal arts funding from the present modest levels.

State Government

Total state funding to the sample theatres fell even further than federal support in 1987, registering a drop of 11 percent. The decrease in state support, which is derived primarily from state arts agencies, reverses a pattern of annual growth since 1983. The decline is also at odds with the increase of 10.5 percent in overall 1987 state arts agency appropriations reported by the National Assembly of State Arts Agencies (NASAA). Between 1983 and 1987, state legislatures increased appropriations to the state arts agencies by 75 percent, but state support to the sample theatres grew by a much

slower 25 percent, indicating that the increased

funds have gone to support other disciplines and programs. State arts agency grants to sample theatres averaged \$95,423, as 30 of the 48 theatres received increased support, 2 were level-funded, 13 saw decreases and 3 did not receive state funds. The drop in total state funding is largely the result of major reductions in support to two theatres located in the oil states of Alaska and Texas, which had been heavily supported before the slump in the oil industry.

According to NASAA, the District of Columbia currently ranks first in per-capita spending for the arts, earmarking \$5.66 in arts spending for each resident in 1988. New York continues to tower over the other states in total arts appropriations, which reached \$54 million in 1988, and Massachusetts ranks second by both measures, with a total appropriation of \$21.7 million and per-capita spending of \$3.72.

Legislative appropriations to state arts agencies are scheduled to rise again next year by 13.3 percent, and state support to sample theatres may regain a healthier growth pattern in future TCG surveys.

City and County Government

Municipal and county governments provided funding to 30 of the 48 sample theatres during 1987, and total local support showed an impressive increase for the second consecutive year, topping last year's total by 34 percent. Over five years, such support has risen 81 percent, and the number of theatres supported by their local governments has increased steadily. In 1987, significant support was provided by city and/or county governments to Studio Arena Theatre (Buffalo), Seattle Repertory Theatre, Alliance Theatre Company (Atlanta) and the Alley Theatre (Houston).

Other Contributions

Proceeds from united arts funds—combined fund-raising campaigns that receive donations from corporations, foundations and individuals at the local level—decreased 2 percent in 1987, following healthy increases in each of the previous three years. While such contributions have risen more than 50 percent over the five-year survey period, fewer than one-third of the sample theatres received such contributions in 1987, and nearly half the amount reported went to one theatre—the Mark Taper Forum, which is supported by the Los Angeles Music Center's Unified Fund.

Donations of goods, services and facilities, in lieu of cash, increased markedly in 1987—by nearly 20 percent—as half of the sample group theatres reported the value of such gifts. Since the primary source of in-kind contributions is the donation of products by businesses, the increase may be the result of efforts by the corporate community to offset declining growth in cash contributions. The other main sources of contributions are sheltering organizations, such as universities, arts centers and museums, which provided facilities and/or financial support to eight of the sample theatres during 1987.

Conclusion

Undercapitalized from the beginning, theatres have spent several decades striving to achieve a solid

financial base with mixed success. However, the progress over the past several years toward a more reasonable measure of contributed support and away from a heavily box-office-based economy, has been a positive development. Theatres are making the point that they can no longer "fund-raise at the box office," and that theatre, like the other arts, needs subsidy. The sources of that subsidy, however, may soon be threatened by a variety of economic trends that could take a heavy toll on the entire nonprofit sector. The 1987 survey findings, combined with these national and global economic forces, make future trends impossible to predict.

Behind any theatre survey are the art and the energy of artists and, in spite of the findings of annual surveys, they seem to continue growing. The erratic financial profile of the past five years has not prevented a flowering of theatres in cities across the country, where only a few years ago there was sporadic or limited activity. Chicago led the way a few seasons back—bursting almost all at once on the national attention. Boston, a town many said would never support a theatre company, has literally sprung to life in the past few seasons; according to a recent survey by the Boston Resident Theatre Alliance, some 19 Boston-area companies will present 153 plays this season to an estimated audience of a half-million theatregoers. This phenomenon has been echoed in a number of other cities, notably Atlanta and San Diego, whose theatre companies are responsible for creating lively new arts scenes that are receiving national notice. Of course, none of these local theatre communities sprang full-blown from the head of Zeus, as the headlines may suggest—they all represent years of hard work and dedication on the part of theatre artists and their

supporters. Now they are starting to receive the recognition that follows. □

TCG has conducted national surveys annually since 1974. "Theatre Facts 87" covers theatre fiscal years ending between Sept. 1, 1986 and Aug. 31, 1987. Data from the participating sample theatres was verified against certified financial audits. Under the direction of Barbara Janowitz Ehrlich, research data was compiled by John Hedges, with the assistance of Christina Colando, all members of TCG's Management Services staff.

The 1987 sample group theatres include: A Contemporary Theatre, Actors Theatre of Louisville, Alaska Repertory Theatre, Alley Theatre, Alliance Theatre Company, American Repertory Theatre, Arena Stage, Arizona Theatre Company, Barter Theatre, Berkeley Repertory Theatre, Center Stage, The Children's Theatre Company, Cincinnati Playhouse in the Park, Circle in the Square Theatre, Circle Repertory Company, The Cleveland Play House, Coconut Grove Playhouse, The Empty Space Theatre, George Street Playhouse, Goodman Theatre, Great Lakes Theater Festival, The Guthrie Theater, Hartford Stage Company, Huntington Theatre Company, Intiman Theatre Company, Long Wharf Theatre, Manhattan Theatre Club, Mark Taper Forum, McCarter Theatre, Milwaukee Repertory Theatre, Missouri Repertory Theatre, Northlight Theatre, Old Globe Theatre, Pennsylvania Stage Company, The People's Light and Theatre Company, Philadelphia Drama Guild, Pittsburgh Public Theater, The Repertory Theatre of St. Louis, Seattle Repertory Theatre, Shakespeare Theatre at the Folger, South Coast Repertory, StageWest, Studio Arena Theatre, Syracuse Stage, Tacoma Actors Guild, TheatreVirginia, Trinity Repertory Company, Yale Repertory Theatre. (A complete list of the 188 participating theatres in the survey universe is available from TCG.)



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